

Message Text

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ACTION AF-06

INFO OCT-01 ISO-00 AGR-10 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 DODE-00 PM-04 H-02 L-03 PA-02 PRS-01

FEA-01 INT-05 ITC-01 /116 W
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R 061615Z APR 76

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 4313

UNCLAS SECTION 1 OF 2 LAGOS 04158

E.O. 11652 : NA

TAGS : EFIN, NI

SUBJ : COMMISSIONER FOR FINANCE 1976-77 BUDGET SPEECH

REF : LAGOS 3961

SUMMARY: FEDERAL COMMISSIONER FOR FINANCE EKUKINAM ISSUED BUDGET STATEMENT APRIL 1, 1976 WHICH ELABORATED ON HEAD OF STATE OBASANJO'S SPEECH OF MARCH 31 (LAGOS 3961). EKUKINAM CITED INFLATION AS MAJOR NATIONAL PROBLEM. MAIN CAUSES OF INFLATION WERE INADEQUATE PRODUCTION FOOD AND HOUSING, TRANSPORTATION BOTTLENECKS, UNCONTROLLED INCREASE IN MONEY SUPPLY, AND UNBALANCED ALLOCATION OF RESOURCES ON PROJECTS IN BOTH PUBLIC AND PRIVATE SECTORS. FISCAL AND MONETARY MEASURES IN THE FISCAL 1976/77 (APRIL 1, 1976 TO MARCH 31, 1977) BUDGET DESIGNED TO CORRECT THESE PROBLEMS NOT ALREADY LISTED IN REFTEL FOLLOW: (1) SCALE DOWN ORIGINAL NAIRA 9.8 BILLION (NAIRA 1; APPROX. DOLLARS 1.60) FEDERAL RECURRENT AND CAPITAL EXPENDITURES TO NAIRA 5.5 BILLION; (2) INCREASE STATUTORY STATE GOVERNMENT APPROPRIATIONS TO NAIRA 1,361.9 MILLION; (3) ANTICIPATE RECOVERY OF PETROLEUM EXPORTS; (4) MAINTAIN FOREIGN EXCHANGE RESERVES AT NAIRA 3.1 BILLION; (5) USE STABILIZA-
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TION SECURITIES, CASH RESERVE REQUIREMENTS, LIQUIDITY RATIOS, AND CREDIT GUIDELINES TO RESTRICT GROWTH OF MONEY SUPPLY AND TO

CHANNEL CREDIT INTO PRODUCTIVE SECTORS; (6) REDUCE IMPORT DUTIES FOR BASIC FOODSTUFFS AND MACHINERY/RAW MATERIALS FOR KEY INDUSTRIES; AND (7) BAN IMPORTATION OF CERTAIN CONSUMER GOODS FOR SIX MONTHS. END SUMMARY.

1. BUDGET

EKUKINAM ESTIMATED GROSS REVENUE FOR FISCAL 1976/77 AS NAIRA 5,756.2 MILLION UP FROM THE FISCAL 1975/76 ESTIMATE OF NAIRA 5,252.2 MILLION. STATUTORY APPROPRIATIONS TO THE STATE GOVERNMENTS FOR THE CURRENT FISCAL YEAR WILL BE NAIRA 1,361.9 MILLION COMPARED WITH NAIRA 1,035.5 MILLION FOR 1975/76. IN ADDITION, THE STATES WILL RECEIVE A NON-STATUTORY APPROPRIATION OF NAIRA 65.1 TO COMPENSATE REVENUE LOSSES RESULTING FROM INTRODUCTION OF UNIFORM INCOME TAXATION AND ABOLITION OF PRODUCE TAX. REMAINING FEDERAL REVENUE AVAILABLE FOR RECURRENT AND CAPITAL EXPENDITURES IS APPROXIMATELY NAIRA 4,330 MILLION. HIGHLIGHTS OF RECURRENT EXPENDITURE BUDGET FOLLOW:

NAIRA MILLION

CABINET OFFICE	15.8
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POLICE	168.9
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MINISTRY OF AGRICULTURE & RURAL DEVELOPMENT	62.3
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MINISTRY OF DEFENCE	827.1
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MINISTRY OF ECONOMIC DEVELOPMENT	15.8
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MINISTRY OF EDUCATION	738.6
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MINISTRY OF ESTABLISHMENTS	25.4
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MINISTRY OF EXTERNAL AFFAIRS	82.0
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MINISTRY OF FINANCE	81.0
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MINISTRY OF HEALTH	108.2
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MINISTRY OF INFORMATION	70.9
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MINISTRY OF INTERNAL AFFAIRS	54.9
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MINISTRY OF TRADE	10.0
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MINISTRY OF TRANSPORT	14.1
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MINISTRY OF WORKS	115.8
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MINISTRY OF SOCIAL DEVELOPMENT, YOUTH AND SPORTS	23.7
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TOTAL	NAIRA 2,414.5
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HIGHLIGHTS OF CAPITAL EXPENDITURE BUDGET FOLLOW:

NAIRA MILLION

AGRICULTURE	400.6
LIVESTOCK	50.1
FORESTRY	12.8
FISHERIES	15.3
MINING AND QUARRYING	560.45
MANUFACTURING AND CRAFT	826.9
POWER	160.0
COMMERCE AND FINANCE	146.2
LAND TRANSPORT SYSTEM	1,471.1
WATER TRANSPORT SYSTEM	192.0
AIR TRANSPORT SYSTEM	239.4
COMMUNICATION	622.5
EDUCATION	590.1
HEALTH	74.1
INFORMATION	84.7
LABOUR	4.9
SOCIAL DEVELOPMENT	11.7
WATER SUPPLY	47.6
ENVIRONENT	20.2
HOUSING	559.3
TOWN AND COUNTRY PLANNING	66.2
COOPERATIVES AND COMMUNITY DEVELOPMENT	3.3
PRISONS	20.5
POLICE	52.3
DEFENCE	694.0
GENERAL ADMINISTRATION	342.8
EXTERNAL FINANCIAL OBLIGATION	109.1

TOTAL NAIRA 7,378.2

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TOTAL ESTIMATED FEDERAL BUDGET FOR BOTH RECURRENT AND CAPITAL EXPENDITURES IS NAIRA 9,792.7 MILLION. (NOTE: FMG COMPUTED TOTAL AS NAIRA 10.7 BILLION. EMBASSY WILL QUERY FMG ON APPARENT DISCREPANCY.) HOWEVER, ACTUAL FEDERAL EXPENDITURES WILL BE LIMITED RPT LIMITED TO NAIRA 5.5 BILLION. GIVEN REMAINING REVNUES OF ABOUT NAIRA 4.3 BILLION AVAILABLE FOR FEDERAL EXPENDITURES, ASSUME NAIRA 1.2 BILLION BALANCE WILL COME FROM SAVINGS. EKUKINAM GAVE NO SPECIFIC INFORMATION ON BUDGET CUTS PER SECTOR.

2. BALANCE OF TRADE/BALANCE OF PAYMENTS

ELABORATING ON HEAD OF STATE OBASANJO'S DISCUSSION OF NIGERIA'S BALANCE OF PAYMENTS PROBLEM, EKUKINAM SAID WORLDWIDE INFLATION WITH RESULTANT ECONOMIC SLOWDOWN AND ENERGY CONSERVATION POLICIES BY THE INDUSTRIAL COUNTRIES RESULTED IN A DECREASE OF NIGERIA'S

PETROLEUM EXPORTS OF NAIRA 777.8 MILLION. HOWEVER, EKUKINAM SAW DEMAND FOR NIGERIAN OIL PICKING UP AND PREDICTED THAT NIGERIA'S EXPORT ACCOUNT WOULD IMPROVE IN 1976 ALTHOUGH POSSIBLY FALL SHORT OF 1974 LEVEL. ON THE OTHER HAND, IMPORTS INCREASED ENORMOUSLY FROM NAIRA 1,737.3 MILLION IN 1974 TO NAIRA 3,721.5 MILLION IN 1975. EKUKINAM SAID THE IMPORT SURGE WAS CAUSED BY AN INCREASE IN DISPOSABLE INCOME AND THE IMPLEMENTATION OF THE NAIRA 30.0 BILLION THIRD NATIONAL DEVELOPMENT PLAN.

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TO SECSTATE WASHDC 4314

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3. FOREIGN EXCHANGE BUDGET

REACTING TO THE NAIRA 125 MILLION BALANCE OF PAYMENTS DEFICIT FOR FISCAL 1975/76, EKUKINAM ANNOUNCED AN FMG PLAN TO FIX THE AMOUNT OF FOREIGN EXCHANGE TRANSACTIONS FOR FISCAL 1976/77. QTE THE FEDERAL GOVERNMENT HAS THEREFORE APPROVED FOR THE 1976/77 FISCAL YEAR A FOREIGN EXCHANGE BUDGET INVOLVING AN INFLOW OF NAIRA 5.5 BILLION AND AN OUTFLOW OF THE SAME AMOUNT. UNQUTE. IF FMG ESTIMATES HOLD, NIGERIA WILL MAINTAIN ITS NAIRA 3.1 BILLION RESERVES. THE FOREIGN EXCHANGE ALLOCATIONS FOR EACH SECTOR FOLLOW:

VISIBLE IMPORTS NAIRA 4,657,000,000

INVISIBLE IMPORTS	395,320,000
TRAVEL	141,950,000
UNREQUITED TRANSFERS	82,330,000
INVESTMENT	160,000,000
CAPITAL TRANSFERS	140,000,000

TOTAL NAIRA 5,576,600,000

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(NOTE: ASSUME THE NAIRA 1.2 BILLION NEEDED TO BALANCE THE FEDERAL BUDGET WILL BE DRAWN FROM THE NAIRA 5.5 BILLION FOREIGN EXCHANGE BUDGET.)

4. MONEY AND BANKING

THE GOAL OF FISCAL 1976/77 MONETARY AND BANKING MEASURES IS CONTAIN INFLATION, INCREASE SAVINGS AND INVESTMENT, AND STIMULATE LOCAL PRODUCTION/SUPPLY OF GOODS AND SERVICES BY SELECTIVE CREDIT EXPANSION TO QTE PRODUCTIVE UNQTE INDUSTRIES. POLICY INSTRUMENTS TO ACHIEVE THIS GOAL INCLUDE:

1. STABILIZATION SECURITIES--ISSUED BY CENTRAL BANK AND ALLOCATED TO COMMERCIAL BANKS. WILL EARN 4 PERCENT INTEREST AND BE NON-NEGOTIABLE, NON-TRANSFERABLE, AND INELIGIBLE TO BE COUNTED AS PART OF COMMERCIAL BANK LIQUID ASSETS.
2. CASH RESERVE REQUIREMENTS--WILL BE ANNOUNCED BY THE CENTRAL BANK AND MINISTRY OF FINANCE AT A LATER DATE.
3. LIQUIDITY RATIO--DEFINED TO EXCLUDE THE CASH RESERVE REQUIREMENT WILL BE MAINTAINED.
4. CREDIT GUIDELINES--A 40 PERCENT INCREASE CEILING ON COMMERCIAL BANK LOANS AND ADVANCES IN FISCAL 1976/77 WILL BE IMPOSED. NO RESTRICTION WILL BE IMPOSED ON CREDIT ALLOCATED TO AGRICULTURE AND CONSTRUCTION AND LAND DEVELOPMENT SECTORS.

MERCHANT BANKS WILL BE BANNED FROM ENGAGING IN FOREIGN EXCHANGE TRANSACTIONS.

5. CONSUMER GOODS IMPORT BAN

PUBLISHED IN GOVERNMENT NOTICE NO. 408 (NOTE: EMBASSY POUCHING NOTICE. IMPORT PROHIBITION LIST, WHILE LONG AND HAS SOME SIGNIFICANT ITEMS LIKE BOTTLED BEER, NANS LARGELY ITEMS IMPORTED ONLY IN LIMITED QUANTITIES/VALUE.

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6. AGRICULTURE

COMMITTED TO PROVIDE SUFFICIENT FOOD AT REASONABLE PRICES, FMG
HAS MADE FOLLOWING DECISIONS:

1. CONTINUE DUTY FREE IMPORTATION OF AGRICULTURAL MACHINERY;
2. ABOLISH IMPORT DUTY ON FOOD PRODUCTION MACHINERY;
3. REDUCE/ELIMINATE IMPORT DUTIES ON CERTAIN FOODSTUFFS, E.G.,
COOKING OILS, STOCKFISH;
4. IMPROVE FERTILIZER DISTRIBUTION SYSTEM;
5. PROVIDE BASIC AGRICULTURAL TOOLS TO FARMERS;
6. ESTABLISH FARM IMPLEMENT MAINTENANCE CENTERS;
7. ASSIGNMENT TRAINING PROGRAMS TO IMPLEMENT EFFECTIVELY
LARGE SCALE IRRIGATION SCHEMES;
8. INCREASE SUPPLY OF PESTICIDES;
9. REDUCE IMPORT DUTIES ON TRUCKS, SPARE PARTS FOR ENGINES, AND
TIRES.

7. CONSTRUCTION

THE FMG WILL CONTINUE TO ALLOW THE DUTY FREE IMPORT OF CEMENT.
DUTIES ON OTHER CONSTRUCTION MATERIALS INCLUDING REBAR AND GLASS
HAVE BEEN REDUCED. IN ADDITION, THE FMG WILL ASSIST IN
CONSTRUCTION OF HOUSING PROJECTS CONTAINING AT LEAST 50 UNITS
BY PRIVATE COMPANIES FOR ORGANIZATIONS IN EXCHANGE FOR GOVERNMENT
PARTICIPATION IN RENT FIXING SCHEMES. GOVERNMENT ASSISTANCE
WOULD INCLUDE:

1. CUTTING RED TAPE IN ACQUIRING LAND FOR CONSTRUCTION;
2. GOVERNMENT RESPONSIBILITY FOR THE INFRASTRUCTURE FACILITIES
FOR THE HOUSING DEVELOPMENT;
3. AN INCREASED CAPITAL ALLOWANCE OF 30 PERCENT FOR THE FIRST
YEAR AND 10 PERCENT ANNUALLY THEREAFTER FOR CONSTRUCTION
COSTS.

8. OTHER INDUSTRIES

- TEXTILES- IMPORT DUTY ON DYES WILL BE REDUCED FROM 10

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PERCENT TO 5 PERCENT.

- AUTOMOBILES- IMPORT QUOTAS ON SMALL AND MEDIUM SIZED CARS

WILL BE INCREASED.

- FOOTWEAR - DUTY ON MATERIAL FOR THE MANUFACTURE OF FOOTWEAR
WILL BE REDUCED FROM 66-2/3 PERCENT TO 20 PERCENT.

- MISCELLANEOUS- DUTY EXEMPTIONS ON IMPORTED RAW MATERIALS
WILL BE GRANTED TO ELECTRONICS AND METAL FABRICATION
INDUSTRIES.

EKUKINAM'S BUDGET SPEECH WILL BE SENT UNDER COVER OF AIRGRAM.
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Message Attributes

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